ETHIOPIA

TRADE SUMMARY

In 1999, the U.S. merchandise trade surplus with Ethiopia was $134 million, an increase of $97 million over that of 1998. U.S. exports to Ethiopia were $165 million, an increase of $76 million (85 percent) over 1998. Ethiopia was the United States' 98th largest export market in 1999. U.S. imports from Ethiopia were $30 million in 1999, a decrease of $22 million (42 percent) from 1998. The stock of U.S. foreign direct investment in Ethiopia was estimated to have been $38 million in 1998. The war with Eritrea has deterred recent investment, in part directly and in part indirectly because of the decline in business activity.

IMPORT POLICIES

Ethiopia has significantly reduced customs duties on a wide range of imports during the last several years, especially for those intermediate goods that are inputs for Ethiopian exports. In December 1998, Ethiopia reduced the number of tariff bands to seven (including the zero rate) and reduced the maximum tariff rate to 40 percent. The result was a fall in the average tariff rate to 19.5 percent. Ethiopia has promised to further reduce import tariffs to an average of 17.5 percent by 2001.

There are 10 excise tax brackets applied equally to domestic and imported goods, ranging from 10 percent for textiles and electronic equipment to 200 percent for liquor and spirits. Excise tax rates of 100 percent and above have been set for luxury goods such as perfume, large cars, and tobacco. In December 1999, the Government of Ethiopia introduced a surtax of 10 percent on most imported goods, excluding fertilizer, fuel, transport machinery, and many capital goods. The sales tax rate is now a uniform 12 percent.

Ethiopia imposes no quantitative restrictions on imports and import licensing requirements do not represent a noteworthy trade barrier. Delays in customs clearance, however, remain a hindrance to importers. Not only is the clearance process slow, but imports are sometimes assessed using attributed values in place of invoice values, even when those invoices have been certified by trade officials in the exporting country.

The government requires that all imports be channeled through Ethiopian nationals registered as official importers or distribution agents.

As a result of the border dispute with Eritrea, Ethiopia has redirected nearly all of its foreign trade through the Port of Djibouti.

STANDARDS, TESTING, LABELING AND CERTIFICATION

The Ethiopian Quality and Standards Institute establishes guidelines and regulates domestic production and trade standards. The imposition of standards is consistent with international norms and does not constitute a barrier to the importation of U.S. products. However, there are instances in which regulatory or licensing requirements, bureaucratic delays, and misinterpretations have prevented the local sale of U.S. exports, particularly personal hygiene and health care products, which may be treated as if they were drugs. New drugs may require local research and testing for 3-5 years before the product can be sold in the local market. Importing a new grain or fertilizer may also involve some of the same hurdles in terms of testing and safety.

GOVERNMENT PROCUREMENT

Government procurement is conducted through competitive bidding. There are no burdensome administrative procedures or special requirements for documents.

EXPORT SUBSIDIES

The government of Ethiopia does not subsidize export products and does not provide preferential financing to exporting firms.

INTELLECTUAL PROPERTY RIGHTS PROTECTION

There are few mechanisms to protect intellectual property rights in Ethiopia at this time. Firms place notices in local newspapers to register their trademarks with the Ministry of Trade and Industry. In some cases, U.S. firms have been reluctant to sell products or franchise the use of technology due to the lack of protection for patents and copyrights. Although the Ethiopian Ministry of Information and Culture drafted a new copyright law in June 1999, the law has not yet been enacted.

SERVICES BARRIERS

Under Ethiopia's investment proclamation of June 1996, no foreign firm may invest in the domestic banking or insurance sectors. The Government retains the exclusive right to generate, supply, and transmit electricity (except for hydroelectric power) above 25 megawatts, provide air transport for more than 20 passengers and above 2700 kilograms of cargo, as well as to provide rail transport and non-courier postal services. Areas reserved for Ethiopian nationals include forwarding and shipping agent services, road and water transport services, retail, import and export trade, printing, cinemas, and other small service establishments. Professional service providers must be licensed by the government to practice in Ethiopia.

Although amendments issued in September 1998 to Ethiopia's investment proclamation maintained the exclusion on foreign participation in financial services (banking and insurance) and other services as noted above, they opened three formerly prohibited sectors to foreign investment: telecommunications, hydroelectric power generation below 25 megawatts, and defense. However, investment in telecommunications and defense must be "in partnership with the Government of Ethiopia." Another provision defines the list of services open to foreign investment to include engineering, architecture, accounting, auditing, and business consultancies. No regulations exist on international data flows or data processing, though the Ethiopian Telecommunications Company has maintained a monopoly in the provision of Internet services. Recently, the Government of Ethiopia indicated that the sector would be opened by announcing licensing charges for Internet service providers and other Internet services.

Under the new investment proclamation provisions, Ethiopian expatriates and permanent residents are considered as "domestic investors" and, therefore, are permitted to invest in areas off-limits to other foreign investors. These areas include the following: radio and television broadcasting; museums and theaters; printing; retail trade and brokerage; wholesale trade (excluding petroleum); import trade; export trade of coffee, oilseeds, pulses, hides/skins, live sheep, goats and cattle (not raised or fattened on own farm); construction companies except for grade-one contractors; tanning of hides and skins up to crust level; hotels (other than star-designated), motels, pensions, tearooms, coffee shops, bars, nightclubs, and restaurants (except for international or specialized); tour operators and travel agencies; road and water transport, car hire and taxi cabs; bakeries; grinding mills; barber shops and beauty salons; building and vehicle repair and maintenance; saw mills; and small scale mining.

INVESTMENT BARRIERS

Foreign firms are welcome to invest in the privatization efforts of the Ethiopian government. In some instances, however, the government advocates joint ventures with Ethiopian private concerns as the preferred path to privatization. Foreign firms are not permitted to invest in the following areas: domestic banking and insurance; air transport services; rail transport; road and water transport; forwarding and shipping; non-courier postal services; import and export trade; retail; printing; cinemas; and small service establishments. Investment in telecommunications and defense require partnership with the government. Telecommunications has been opened to foreign investment in regulation, though not yet in practice.

Ethiopia's investment proclamation allows all foreign investors, to freely remit dividends and profits, principal and interest on foreign loans, and fees related to technology transfer. Foreign investors may also remit proceeds from the sale or liquidation of assets, from the transfer of shares or of partial ownership of an enterprise, and funds required for debt service or other international payments. Expatriate employees may remit 100 percent of their salaries. U.S. businesses represented in Ethiopia do not encounter difficulties in the repatriation of dividends. There are no discriminatory or excessively onerous visa, residence, or work permit requirements for foreign investors. Foreign investors do not face unfavorable tax treatment, denial of licenses, or discriminatory import or export policies. There are no local content requirements. A number of recent provisions, however, such as new supertaxes, additional banking regulations, and investment disputes have been born out of Ethiopia's confrontation with Eritrea and the need for hard currency.

Ethiopia works hard to combat corruption through social pressure, cultural norms, and legal restrictions. Corruption has not been a significant barrier or hindrance to investment or trade in Ethiopia.